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Robert A. Rogowsky, *Acting Director*

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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Real gross domestic product increased at an annual rate of 0.9 percent (\$15.5 billion) in the fourth quarter of 1995 following a 3.6-percent (\$58.9 billion) increase in the third quarter. During the period January-December 1995, real GDP increased by 2.1 percent.

Major GDP components for the fourth quarter show a slowdown in consumer spending, government expenditures and gross investment and in producers demand for new goods, but an increase in nonresidential investment and exports. Real personal consumption expenditures increased by 0.8 percent in the fourth quarter, compared with an increase of 2.8 percent in the third quarter. Real Federal Government consumption expenditures and gross investment decreased by 12.0 percent in the fourth quarter, following a decrease of 5.9 percent in the third quarter. In contrast, real nonresidential fixed investment increased by 6.2 percent, compared with an increase of 5.2 percent in the third quarter. Real residential fixed investment increased by 4.5 percent, compared with a decrease of 9.2 percent in the third quarter. Real exports of goods and services increased by 10.9 percent in the fourth quarter, compared with an increase of 8.0 percent in the third quarter. Real imports of goods and services remained virtually unchanged. The trade deficit declined to \$94.1 billion from \$114.3 billion.

Because of the slowdown in producers demand for new goods, the real change in business inventories subtracted \$12.8 billion from the fourth quarter's change in real GDP, after adding \$2.6 billion to third quarter change. Businesses increased inventories by \$20.4 billion in the fourth quarter, following increases of \$33.2 billion in the third quarter and \$30.6 billion in the second quarter.

In January 1996, retail sales and the index of leading indicators declined. Retail sales fell by 0.3 percent in January 1996 led by a sharp drop in auto sales, which slipped by 1.2 percent from those in the previous month. The index of leading indicators

declined by 0.5 percent in January 1996 after increasing by 0.2 percent in December 1995, according to estimates prepared by the Conference Board. During July 1995 to January 1996 the index declined by 0.9 percent. The January 1996 decline in the leading index was caused by a sharp decline in the average factory workweek.

Comprehensive Revision of the National Income and Product Accounts

The Bureau of Economic Analysis (BEA) recently released national income and product account (NIPA) new estimates beginning with 1959. The new release reflects the results of the 10th comprehensive revision of the accounts. According to BEA, the comprehensive revision incorporates (1) definitional and classificational changes that update the accounts to portray more accurately the evolving U.S. economy, (2) statistical changes that update the accounts to reflect the introduction of new and improved methodologies and the incorporation of newly available and revised source data, and (3) presentational changes that update the NIPA tables to reflect the definitional, classificational, and statistical changes and to make the tables more informative. The last comprehensive revision of NIPA estimates was completed in December 1991.

The major improvements incorporated in the recent comprehensive revision include the new featured chain-type measures of real output and prices, the treatment of government expenditures for structures and equipment as investment, and the implementation of an improved empirical basis for the estimates of depreciation. The revised estimates also reflect the incorporation of newly available source data and improved estimating methodologies.

BEA comprehensive revision show that, for 1959-94, the average annual growth rate of real GDP, using 1992 chain-type prices,¹ is 3.2 percent, 0.2

¹ Chain-type price index uses the price weights of adjacent years to calculate real GDP instead of price weights fixed to a specific year. The chain-type method

percentage point higher than in the previously published estimates, which were measured using fixed (1987) price weights. The revised estimates over this period show higher growth rates for all major components of GDP except for data on imports of goods and services, which were not revised. The growth rates for personal consumption expenditures (PCE) for durable goods and for nonresidential producers' durable equipment (PDE) are revised upward the most. For the GDP and most of its major components, the shift from fixed weights to chain weights for the featured measures accounts for most of the higher growth rates.

In BEA's comprehensive revision, two of the definition and classification changes introduced¹—the recognition of government expenditure as investment and the redefinition of the Federal Government's contributions to both civilian and military retirement programs—are important since both of these changes increase the level of GDP. In addition, the recognition of government expenditures for structures and equipment as investment, which affects all periods, provides a more complete measure of investment through the consistent treatment of assets whether purchased by the public or the private sector. It also improves the international comparability of U.S. estimates of saving and investment by moving toward the treatment of government investment in the international System of National Accounts.

The statistical changes that were incorporated include (1) improved estimates of changes in output and prices; (2) new estimating procedures; (3) new and revised data from regular sources that become available less often than annually; (4) new and revised data from regular sources that are usually incorporated at the time of the annual NIPA revision, and (5) updated seasonal factors for quarterly estimates. Table 1 shows revised and previously published estimates of selected GDP components and quarters.

Productivity and costs

Parallel with BEA comprehensive revision of NIPA accounts, the Bureau of Labor Statistics (BLS) has switched to annually weighted output (chain-type) indexes for computations of productivity and costs to replace the fixed-weighted index as the featured measure. The Bureau of Labor Statistics reported that U.S. productivity, as measured by output per hour of all persons, grew at a slower rate in the third quarter of

1995 than in the second quarter. (All rates of change in this section are seasonally adjusted annual rates.) Productivity measure changes from preceding quarter and from the same quarter a year earlier are shown in table 2.

Business

Productivity in the business sector (table 2) grew by 1.2 percent in the third quarter following a 3.0-percent increase in the second quarter. Output grew by 4.1 percent in the third quarter compared with an increase of 0.3 percent in the second quarter. Hours worked by all persons engaged in the sector increased by 2.8 percent in the third quarter following a 2.5-percent decline in the second quarter. The increase in hours worked reflected a 1.4-percent increase in both employment and average weekly hours. Hourly compensation, a measure that includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes, increased by 3.9 percent in the third quarter down from a 5.6-percent rise in the second quarter. Unit labor costs, which reflect changes in hourly compensation and productivity, increased by 2.7 percent in the third quarter following a 2.5-percent increase in the second quarter. Real hourly compensation, however, rose by 1.9 percent in the third quarter, down from a 2.1-percent increase in the second quarter.

Manufacturing

Productivity in manufacturing (table 4) increased by 5.7 percent in the third quarter compared with an increase of 4.0 percent in the second quarter. The third quarter increase in manufacturing productivity was the largest since that in the second quarter of 1994. The increase was primarily the result of the large productivity increase in the durable goods sector combined with a rapid decrease in hours worked as businesses downsized. Hours worked of all persons engaged in manufacturing declined by 2.9 percent in the third quarter following a decline of 5.9 percent in the second quarter. Output increased by 2.6 percent in the third quarter compared with a decrease of 2.1 percent in the second. Manufacturing unit labor costs decreased in both the third and second quarters by 1.6 percent and 0.5 percent, respectively. Manufacturing includes nearly 20 percent of U.S. business sector employment.

In durable-goods-manufacturing sector, productivity increased by 6.6 percent, the largest increase since the first quarter of 1994. Output increased by 6.1 percent following a decline of 1.9 percent in the second quarter. Hours worked of all people engaged in this sector declined by 1.5 percent following a 4.4-percent

¹ *Continued*—of weighting has the advantage of allowing for the effects of changes in relative prices and changes in the composition of output over time in contrast to the fixed-weighted measures, which use a single set of weights over the entire period. For fuller discussion of the two methodologies see the *IER*/October 1995.

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Table 1

Change from preceding period in revised and previously published estimates of real Gross Domestic Product (seasonally adjusted at annual rates)

(Percent)

Item	I 94	II 94	III 94	IV 94	I 95	II 95	III 95
Gross domestic product:							
Revised (chain-type)	2.5	4.8	3.8	3.2	0.8	0.5	3.2
Previously published (fixed-weights)	3.3	4.1	4.0	5.1	2.7	1.3	4.2
Personal consumption expenditures:							
Revised	2.8	3.8	2.5	3.3	0.8	3.4	2.9
Previously published	4.7	1.3	3.1	5.1	1.8	3.4	2.9
Durable goods:							
Revised	5.8	4.3	5.8	12.6	-8.7	7.0	8.5
Previously published	8.8	0.4	5.8	20.4	-3.4	3.5	11.7
Non-durable goods:							
Revised	3.8	3.3	4.0	3.2	2.4	1.9	0.5
Previously published	3.8	2.2	3.3	3.1	2.3	1.9	0.1
Services:							
Revised	1.4	3.8	1.2	1.4	2.1	3.4	2.7
Previously published	4.0	1.1	2.2	2.3	2.8	4.2	2.2
Gross private domestic nonresidential fixed investment:							
Revised	7.3	7.1	13.7	12.2	15.3	3.8	5.3
Previously published	10.9	9.2	14.1	17.8	21.5	11.3	8.3
Structures:							
Revised	-11.8	15.7	0.2	13.0	8.9	3.4	5.8
Previously published	-11.8	20.8	1.8	11.0	11.5	9.0	3.5
Producers' durable equipment:							
Revised	15.8	4.1	19.3	11.9	17.4	3.7	5.2
Previously published	18.8	8.1	18.1	19.8	24.5	11.9	9.7
Gross private residential fixed investment:							
Revised	12.8	12.7	-1.8	-0.1	-8.3	-13.3	8.4
Previously published	10.0	7.0	-8.0	2.3	-3.4	-13.7	10.9
Exports of goods and services:							
Revised	-0.8	14.8	12.2	15.3	2.8	4.8	8.3
Previously published	-3.5	16.8	14.8	20.2	4.8	8.8	10.8
Imports of goods and services:							
Revised	7.5	19.1	11.0	9.3	8.7	7.7	1.2
Previously published	9.5	18.9	15.8	11.4	10.1	9.9	8.8
Government consumption expenditures and gross investment:							
Federal:							
Revised	-11.1	-5.3	11.5	-5.9	-8.3	-1.1	-5.5
Previously published	-10.3	-7.9	10.9	-14.4	-3.8	-2.9	4.0

Table 1—Continued
Change from preceding period in revised and previously published estimates of real Gross Domestic Product (seasonally adjusted at annual rates)

	(Percent)						
Item	I 94	II 94	III 94	IV 94	I 95	II 95	III 95
State:							
Revised	0.7	2.2	4.2	1.8	2.3	2.1	2.8
Previously published	-1.4	2.9	4.3	2.3	1.0	2.0	2.1
Addenda:							
Final sales of domestic product:							
Revised	1.2	2.8	4.2	3.6	0.7	1.8	3.5
Previously published	2.2	1.5	4.3	5.7	2.8	2.8	4.2
Gross national product:							
Revised	2.6	4.2	3.5	2.7	1.2	0.3	2.9
Previously published	3.4	3.7	3.8	4.3	3.2	1.1	—

Source: U.S. Department of Commerce, Bureau of Economic Analysis, BEA 95-02, Gross Domestic Product Third Quarter.

Table 2
U.S. productivity and costs: Revised third quarter 1995 measures (seasonally-adjusted annual rates)
 (Percent)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Change from preceding quarter						
Business	1.2	4.1	2.8	3.9	1.9	2.7
Nonfarm business	1.4	4.4	2.9	3.9	1.8	2.4
Manufacturing	5.7	2.6	-2.9	4.0	1.9	-1.6
Durable	6.6	5.1	-1.5	4.0	1.9	-2.5
Nondurable	4.8	-0.3	-4.9	3.7	1.6	-1.1
Change from third quarter 1994						
Business	0.8	2.2	1.4	4.0	1.2	3.1
Nonfarm business	1.1	2.5	1.4	4.1	1.4	3.0
Manufacturing	3.8	3.0	-0.8	3.2	0.5	-0.7
Durable	4.5	4.9	0.4	2.6	-0.1	-1.9
Nondurable	3.3	0.7	-2.5	3.9	1.1	0.6

Notes.—Output measures for business and nonfarm business are based on measures of gross domestic product prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect independent indexes of industrial production prepared by the Federal Reserve System.

Source: Bureau of Labor Statistics.

decline in the second quarter. Hourly compensation increased by 4.0 percent following a 2.5-percent increase in the second quarter. However, real compensation per hour increased by only 1.9 percent following a decline of approximately 1.0 percent in the second quarter. Reflecting the large productivity increase in this sector and the small rise in per-hour compensation, unit labor costs declined 2.5 percent.

Long-term productivity measures for the business sector are shown in table 3 and those for manufacturing are shown in tables 4 and 5.

U.S. Economic Performance Relative to other Group of Seven (G-7) Members

Economic growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 chain-type prices—grew at a revised annual rate of 0.9 percent in the fourth quarter of 1995 following an increase of 3.6 percent increase in the third quarter. Real GDP increased by 2.1 percent in 1995.

The annualized rate of real GDP growth in the fourth quarter of 1995 was 2.3 percent in the United

Kingdom, -1.2 percent in France, -1.6 percent in Germany, and 0.8 percent in Canada. In the third quarter of 1995, real GDP growth rate was 0.6 percent in Japan, and 8.0 percent in Italy.

Industrial production

Seasonally adjusted U.S. nominal industrial production increased in February 1996 by 1.2 percent following a decline of 0.4 percent in January. The increase was concentrated in business equipment and related durable goods and aircraft parts production. Industrial production in February 1996 was 1.6 percent higher than in February 1995. Total capacity utilization increased by 0.8 percentage point in February 1996, to 82.9 percent and was 3.9 percent higher than in February 1995. Capacity utilization in manufacturing increased by 0.9 percent in February 1996 and was 4.3 percent higher than in February 1995.

Other G-7 member countries reported the following growth rates of industrial production. For the year ending January 1996, Japan reported an increase of 3.3 percent, Germany reported an increase of 1.6 percent, the United Kingdom reported an increase of 1.3 percent, France a decrease of 2.2 percent, Italy, a decrease of 2.5 percent and Canada a decrease of 0.9 percent.

Table 3
Business sector: Change in productivity, output, hourly compensation and unit labor costs
(seasonally adjusted annual rates)

(Percent)

Period	Productivity	Output	Hours of all persons	Compensation per hour	Real compensation per hour	Unit labor costs
Change from previous quarter						
1993:						
Jan.-Mar	-3.7	-1.1	2.6	1.6	-1.4	5.4
Apr.-June	-1.3	2.2	3.6	3.4	0.3	4.6
July-Sept	1.3	3.0	1.7	2.2	0.5	0.9
Oct.-Dec	2.7	6.3	3.5	1.1	-2.1	-1.6
Average	0.2	2.6	2.4	2.6	-0.4	2.4
1994:						
Jan.-Mar	-1.9	1.8	3.7	3.4	1.3	5.4
Apr.-June	1.4	6.7	5.3	1.5	-1.0	0.1
July-Sept	2.8	4.1	1.3	1.5	-2.0	-1.3
Oct.-Dec	0.7	4.0	3.3	2.9	0.7	2.3
Average	0.7	4.2	3.4	2.2	-0.4	1.4
1995:						
Jan.-Mar	-1.6	0.6	2.2	3.4	0.3	5.0
Apr.-June	3.0	0.3	-2.5	5.6	2.1	2.5
July-Sept	1.2	4.1	2.8	3.9	1.9	2.7
Change from corresponding quarter of previous year						
1993:						
Jan.-Mar	0.9	2.6	1.8	3.0	-0.1	2.2
Apr.-June	-0.1	2.4	2.5	3.0	-0.2	3.1
July-Sept	0.4	3.0	2.5	2.3	-0.5	1.9
Oct.-Dec	-0.3	2.6	2.9	2.0	-0.7	2.3
Average	0.2	2.6	2.4	2.6	-0.4	2.4
1994:						
Jan.-Mar	0.2	3.3	3.1	2.5	0	2.3
Apr.-June	0.8	4.4	3.6	2.0	-0.4	1.2
July-Sept	1.2	4.7	3.5	1.9	-1.0	0.6
Oct.-Dec	0.7	4.2	3.4	2.3	-0.3	1.6
Average	0.7	4.2	3.4	2.2	-0.4	1.4
1995:						
Jan.-Mar	0.6	3.6	3.0	2.3	-0.5	1.5
Apr.-June	1.2	2.3	1.1	3.3	0.3	2.1
July-Sept	0.8	2.2	1.4	4.0	1.2	3.1

Source: Bureau of Labor Statistics.

Table 4
U.S. manufacturing sector: Productivity, output, hourly compensation, and unit labor costs
(seasonally adjusted annual rates)

Period	Productivity	Output	Hours of all persons	Compensation per hour	Real compensation per hour	Unit labor costs
Percent change from previous quarter at annual rate						
1993:						
Jan.-Mar	2.2	4.6	2.3	0.8	-2.2	-1.4
Apr.-June	0.4	1.1	0.8	3.4	0.4	3.1
July-Sept	1.8	3.0	1.2	2.7	1.0	-0.9
Oct.-Dec	3.4	5.9	2.4	3.2	-0.1	-0.2
Average	2.1	3.5	1.4	2.4	-0.6	0.3
1994:						
Jan.-Mar	6.9	8.8	1.8	3.4	1.3	-3.2
Apr.-June	5.7	8.5	2.6	1.4	-1.1	-4.0
July-Sept	3.0	5.1	2.1	3.6	0	0.6
Oct.-Dec	3.5	7.9	4.2	3.1	0.8	-0.4
Average	4.2	6.5	2.2	2.8	0.3	-1.3
1995:						
Jan.-Mar	2.2	3.9	1.6	2.1	-0.9	-0.1
Apr.-June	4.0	-2.1	-5.9	3.5	0.1	-0.5
July-Sept	5.7	2.6	-2.9	4.0	1.9	-1.6
Percent change from corresponding quarter of previous year						
1993:						
Jan.-Mar	2.9	4.3	1.3	2.7	-0.5	-0.3
Apr.-June	2.1	3.0	0.9	2.4	-0.8	0.3
July-Sept	1.7	3.1	1.4	2.2	-0.6	0.5
Oct.-Dec	1.9	3.6	1.7	2.5	-0.2	0.6
Average	2.1	3.5	1.4	2.4	-0.6	0.3
1994:						
Jan.-Mar	3.1	4.7	1.5	3.2	0.7	0.1
Apr.-June	4.4	6.5	2.0	2.7	0.3	-1.7
July-Sept	4.7	7.1	2.2	2.9	0	-1.7
Oct.-Dec	4.7	7.6	2.7	2.9	0.2	-1.8
Average	4.2	6.5	2.2	2.8	0.3	-1.3
1995:						
Jan.-March	3.6	6.3	2.6	2.5	-0.3	-1.0
Apr.-June	3.2	3.6	0.4	3.1	0	-0.1
July-Sept	3.8	3.0	-0.8	3.2	0.5	-0.7

Source: Bureau of Labor Statistics.

Table 5
Durable manufacturing sector: Productivity, output, hourly compensation, and unit labor costs
(seasonally adjusted annual rates)

Period	Productivity	Output	Hours of all persons	Compensation per hour	Real compensation per hour	Unit labor costs
Percent change from previous quarter at annual rate						
1993:						
Jan.-March	3.6	6.3	2.6	0.8	-2.2	-2.7
Apr.-June	2.0	2.4	0.4	3.2	0.2	1.2
July-Sept	0.7	3.4	2.6	2.5	0.8	1.7
Oct.-Dec	7.3	10.7	3.1	3.6	0.4	-3.5
Average	3.4	4.9	1.5	2.2	-0.7	-1.1
1994:						
Jan.-March	7.6	11.0	3.1	3.4	1.2	-4.0
Apr.-June	5.2	8.6	3.2	1.2	-1.4	-3.8
July-Sept	4.5	7.8	3.2	3.4	-0.2	-1.0
Oct.-Dec	4.3	9.9	5.4	2.4	0.2	-1.8
Average	5.2	8.5	3.2	2.7	0.1	-2.3
1995:						
Jan.-March	4.5	7.0	2.3	1.4	-1.7	3.0
Apr.-June	2.7	-1.9	-4.4	2.5	-0.9	-0.2
July-Sept	6.6	6.1	-1.5	4.0	1.9	-2.5
Percent change from corresponding quarter of previous year						
1993:						
Jan.-March	4.6	5.7	1.0	2.5	-0.6	-2.0
Apr.-June	3.1	4.1	0.9	2.1	-1.0	-1.0
July-Sept	2.5	4.3	1.8	1.9	-0.9	-0.6
Oct.-Dec	3.4	5.6	2.2	2.5	-0.2	-0.8
Average	3.4	4.9	1.5	2.2	-0.7	-1.1
1994:						
Jan.-March	4.4	6.8	2.3	3.2	0.6	-1.2
Apr.-June	5.2	8.4	3.0	2.7	0.2	-2.4
July-Sept	6.2	9.5	3.2	2.9	0	-3.1
Oct.-Dec	5.4	9.3	3.7	2.6	0	-2.7
Average	5.2	8.5	3.2	2.7	0.1	-2.3
1995:						
Jan.-March	4.6	8.3	3.5	2.1	-0.8	-2.4
Apr.-June	4.0	5.6	1.5	2.4	-0.6	-1.5
July-Sept	4.5	4.9	0.4	2.6	-0.1	-1.9

Source: Bureau of Labor Statistics.

Prices

Seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.4 percent in February 1996. The CPI increased by 2.7 percent in the twelve-month period ending February 1996.

During the 1-year period ending January 1996, prices increased by 1.6 percent in Canada, 2.0 percent in France, 1.5 percent in Germany, 5.6 percent in Italy, -0.3 percent in Japan, and 2.9 percent in the United Kingdom.

Employment

The Bureau of Labor Statistics of the U.S. Department of Labor reported that nonfarm payroll employment increased 705,000 in February 1996 and the unemployment rate edged down to 5.6 percent from 5.8 percent in January.

In other G-7 countries, the unemployment rate in January 1996 was 10.8 percent in Germany, 7.9 percent in the United Kingdom and 9.6 percent in Canada. In December 1995, the unemployment rate was 11.6 percent in Italy, 11.7 percent in France and 3.4 percent in Japan.

Forecasts

Forecasters expect real growth in the United States to average around 1.8 percent (annual rate) in the first quarter of 1996 and then to accelerate to an average of 2.1 percent (annual rate) in the second quarter. Factors that might restrain growth in the first half of 1996 include slowing consumer spending attributed to consumer debt overhang, rising unemployment claims, a slowdown in producers demand for new goods and the contractionary impact of the decline in government spending and investment if unaccompanied by monetary policy easing. Table 6 shows macroeconomic projections by six major forecasters for the U.S. economy from January to December 1996 and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 5.8 percent in 1996. Inflation (as measured by the GDP deflator) is expected to remain subdued at an average rate of about 2.1 to 2.4 percent. The slowdown in general economic activity during 1996 is expected to keep inflation down and unemployment high in spite of the Federal Reserve's easing of monetary policy.

Table 6
Projected changes of selected U.S. economic indicators, by quarters, 1996
 (Percent)

Period	Conference Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc. (D.R.I.)	Wharton WEFA Group	Mean of 6 forecasts
GDP current dollars							
1996							
Jan.-Mar	6.2	4.1	4.1	2.6	4.1	4.2	4.2
Apr.-June	5.2	4.8	4.1	4.3	3.4	4.0	4.3
July-Sept	5.3	5.1	4.8	4.9	4.5	4.5	4.8
Oct.-Dec	4.7	5.1	4.0	4.8	4.8	5.1	4.7
GDP constant (1987) dollars							
1996:							
Jan.-Mar	3.7	1.5	1.3	1.0	1.6	1.9	1.8
Apr.-June	2.6	2.0	2.3	2.0	1.8	2.0	2.1
July-Sept	2.6	2.5	2.6	2.5	2.8	2.2	2.5
Oct.-Dec	1.8	2.5	2.0	2.5	3.0	2.7	2.4
GDP deflator index							
1996:							
Jan.-Mar	2.4	2.6	2.8	1.8	2.5	2.3	2.4
Apr.-June	2.5	2.6	1.8	2.2	1.7	1.9	2.1
July-Sept	2.9	2.6	2.0	2.3	1.7	2.2	2.3
Oct.-Dec	2.9	2.1	2.0	2.2	1.5	2.3	2.3
Unemployment, average rate							
1996:							
Jan.-Mar	5.8	5.7	5.9	5.8	5.8	5.8	5.8
Apr.-June	5.8	5.7	6.1	5.9	5.8	5.7	5.8
July-Sept	5.5	5.8	6.2	6.0	5.8	5.6	5.8
Oct.-Dec	5.5	5.8	6.3	5.8	5.9	5.7	5.8

Notes.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: February 1996.

Source: Compiled from data provided by the Conference Board. Used with permission.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of \$68.3 billion and imports of \$75.1 billion in December 1995 resulted in a goods and services trade deficit of \$6.8 billion, \$0.1 billion more than the \$6.7 billion deficit in November. The December 1995 deficit was approximately \$1.1 billion less than the deficit registered in December 1994 (\$7.9 billion) and \$2.6 billion less than the average monthly deficit registered during the previous 12 months (\$9.4 billion).

The December 1995 trade deficit on goods was \$12.3 billion, approximately \$90 million higher than the November deficit. The December 1995 services surplus was \$5.5 billion, roughly \$23 million higher than the November services surplus.

In 1995, total U.S. exports of goods and services increased by 11.8 percent over the corresponding

period of the previous year, to a record of \$783.7 billion. Almost all of leading export sectors showed robust rates of export growth. The trade deficit for 1995 grew to \$111.0 billion, approximately \$4.8 billion higher than the 1994 deficit. The highest deficits were recorded with Japan (-\$39.3 billion), Canada (-\$18.2 billion), China (-\$33.8 billion), OPBC (-\$15.7 billion), and Mexico (-\$15.4 billion).

Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 7. Nominal export changes and trade balances for specific major commodity sectors are shown in table 8. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 9, and U.S. trade in services by major category is shown in table 10.

Table 7
U.S. trade in goods and services, seasonally adjusted, Nov.-Dec. 95
(Billion dollars)

Item	Exports		Imports		Trade balance	
	Dec. 95	Nov. 95	Dec. 95	Nov. 95	Dec. 95	Nov. 95
Trade in goods (BOP basis):						
Current dollars—						
Including oil	50.5	49.6	62.7	61.8	-12.3	-12.2
Excluding oil	50.4	49.7	62.0	61.0	-7.5	-7.2
Trade in services:						
Current dollars	17.9	18.0	12.4	12.5	5.5	5.5
Trade in goods and services:						
Current dollars	68.3	67.6	75.1	74.3	-6.8	-6.7
Trade in goods (Census basis):						
1987 dollars	51.5	50.8	62.9	61.8	-11.4	-11.0
Advanced-technology products (not seasonally adjusted)	13.7	12.7	11.4	11.7	2.4	1.1

Note.—Data on goods trade are presented on a balance-of-payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments on BOP basis exclude military trade but include nonmonetary gold transactions, and estimates of inland freight in Canada and Mexico, not included in the Census Bureau data.

Source: U.S. Department of Commerce News (FT 800), Feb. 28, 1996

Table 8
Nominal U.S. exports and trade balances of agriculture and specified manufacturing sectors,
Jan. 84-Dec. 85

Sector	Exports		Change		Share of total, Jan.-Dec. 1985	Trade balance, Jan.-Dec. 1985
	Dec. 1985	Jan.-Dec. 1985	Dec. 1985 over Nov. 1985	Jan.-Dec. 1985 over Jan.-Dec. 1984		
	Billion dollars		Percent		Billion dollars	
ADP equipment and office machinery	4.0	38.4	17.8	17.8	6.2	-38.4
Airplane	1.2	13.6	8.1	-27.7	2.3	10.0
Airplane parts	1.0	10.4	11.1	8.1	1.8	7.8
Electrical machinery	4.4	53.0	-8.4	19.4	9.1	-39.2
General industrial machinery	2.1	24.3	5.0	11.5	4.2	0.2
Iron & steel mill products .....	.5	5.3	0	47.2	0.9	-7.0
Inorganic chemicals .....	.4	4.5	0	8.8	0.8	-0.2
Organic chemicals	1.3	16.1	0	25.8	2.6	2.8
Power-generating machinery	1.9	21.9	0	7.4	3.7	1.3
Scientific instruments	1.7	18.6	6.2	12.7	3.2	7.0
Specialized industrial machinery	2.2	23.3	10.0	18.3	4.0	4.3
Telecommunications	1.8	19.0	8.9	19.5	3.3	-15.4
Textile yarns, fabrics and articles .....	.8	7.2	0	12.5	1.2	-2.8
Vehicle parts	1.6	22.8	-15.6	7.0	3.9	2.7
Other manufactured goods ¹	2.7	32.3	-15.6	14.9	5.5	-18.0
Manufactured exports not included above	11.7	142.5	0	11.1	24.4	-127.8
Total manufactures	39.1	481.1	0.5	12.0	77.9	-178.5
Agriculture	5.3	54.9	1.9	22.3	9.4	25.6
Other exports not incl.above	6.7	77.9	4.7	19.9	13.3	-6.6
Total export goods	51.1	589.9	1.2	18.9	100.0	-159.3

¹ This is an official U.S. Department of Commerce commodity grouping.

Note.—Because of rounding, figures may not add to the totals shown. Data are presented on a Census basis.

Source: U.S. Department of Commerce News (FT 500), Feb. 26, 1986.

Table 9

U.S. exports and imports of goods with major trading partners, Jan. 1984- Dec. 1985

(Billion dollars)

Country/Area	Exports			Imports		
	Dec. 85	Jan.- Dec. 85	Jan.- Dec. 84	Dec. 85	Jan.- Dec. 85	Jan.- Dec. 84
North America	13.4	173.3	165.3	16.5	208.8	177.9
Canada	9.0	127.0	114.4	11.7	145.1	128.4
Mexico	3.8	49.3	50.9	4.9	61.7	49.5
Western Europe	12.4	134.8	118.2	12.3	145.4	120.7
European Union (EU)	11.4	123.6	107.8	11.2	131.9	110.5
Germany	2.2	22.4	19.2	2.5	36.8	31.7
European Free-Trade Association (EFTA) ¹	0.6	7.7	7.0	0.9	11.1	9.1
Former Soviet Union/						
Eastern Europe	0.6	5.7	5.3	0.5	7.0	5.8
Former Soviet Union	0.4	3.9	3.9	0.3	4.9	3.8
Russia	0.2	2.8	2.6	0.2	4.0	3.2
Pacific Rim Countries	16.8	180.5	147.8	22.5	288.8	291.1
Australia	0.9	10.8	9.8	0.3	3.3	3.2
China	1.2	11.7	9.3	3.1	45.5	38.8
Japan	5.9	84.3	53.5	8.3	123.6	110.2
NICs ²	6.9	74.2	59.6	6.8	82.0	71.4
South/Central America	4.4	50.0	41.7	3.5	42.2	38.5
Argentina	0.4	4.2	4.5	0.1	1.8	1.7
Brazil	1.1	11.4	8.1	0.8	8.8	8.7
OPEC	1.8	19.4	17.9	3.0	35.2	31.7
Total	51.1	593.9	512.6	59.5	694.0	693.3

¹ EFTA includes Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.² The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.

Note.—Country/Area figures may not add to the totals shown because of rounding. Exports of certain grains, oleaginous and cellulose are excluded from country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: U.S. Department of Commerce News (FT 805), February 25, 1986.

Table 10
Revised U.S. exports and trade balances of services, by sector, Jan. 1994-Dec. 1995, seasonally
adjusted

	Exports		Change	Trade balance	
	Jan.- Dec. 94	Jan.- Dec. 95	Jan.- Dec. 95 over Jan.- Dec. 94	Jan.- Dec. 94	Jan.- Dec. 95
	Billion dollars		Percent	Billion dollars	
Passenger fares	11.9	11.4	4.4	3.2	3.0
Totals	89.3	89.4	-0.2	14.8	23.8
Passenger fares	19.3	17.6	4.8	4.9	5.9
Other transportation	26.5	28.1	6.2	-1.2	0.1
Provision of services (see	22.2	22.4	17.0	19.8	17.2
Other private services	22.3	29.0	30.0	24.5	28.4
Transfers under U.S. military sales contracts	12.5	12.4	0.8	2.8	2.9
U.S. Govt. miscellaneous services	0.7	0.9	-22.2	-2.0	-1.54
Total	229.8	199.7	5.1	63.5	71.8

1 "Other private services" consists of transactions with affiliated and unaffiliated foreigners. These transactions include educational, travel, insurance, telecommunications, and such technical services as business, advertising, computer and data processing, and other information services, such as engineering, consulting, etc.

Note.—Services trade data are on a Balance-of-Payments (BOP) basis. Figures may not add to the totals shown because of seasonal adjustment and rounding.

Source: U.S. Department of Commerce News (FT 959), Feb. 22, 1996.

INTERNATIONAL TRADE DEVELOPMENTS

The General Agreement on Trade in Services: An Analysis of Commitments

The U.S. International Trade Commission's (USITC) Office of Industries recently completed a study, *The General Agreement on Trade in Services: Examination of Major Trading Partners' Schedules of Commitments*, which examines the schedules of service commitments submitted by the European Union (EU), Japan, Canada, and Mexico. At the request of the United States Trade Representative, in its study the Commission focused on commitments pertaining to—

- distribution services, defined as wholesaling, retailing, and services;
- education services;
- communication services, defined as enhanced telecommunication services, carrier services, and audiovisual services;
- health care services;
- professional services, defined as accounting, architectural, engineering, construction, advertising, and legal services;
- transportation services, defined as rail and trucking services; and
- travel and tourism services.

The following article highlights some of the services and issues covered in the report.

The World Trade Organization estimates that global trade in services is valued at over \$4 trillion annually. In 1993, cross-border service exports by U.S. firms amounted nearly \$141 billion, and cross-border service imports amounted \$99 billion, generating a surplus of over \$41 billion. This surplus offset over 30 percent of the U.S. merchandise trade deficit in 1993.

Despite the considerable volume of trade in services, multilateral disciplines were not applied to service transactions until the General Agreement on Trade in Services (GATS) took effect on January 1, 1995. Trade in services previously had been addressed

only in regional agreements such as the North American Free-Trade Agreement (NAFTA).

The GATS is the first multilateral, legally enforceable agreement covering trade and investment in the service sector. The agreement generally binds signatories to provide foreign firms with market access and nondiscriminatory treatment subject to defined exceptions. The agreement is designed to reduce or eliminate regulatory measures that prevent services from being provided across borders or that discriminate against locally-established service firms with foreign ownership. It provides a legal framework for addressing barriers to trade and investment in services, includes specific commitments by WTO member countries to restrict their use of those barriers, and provides a forum for further negotiations to open service markets around the world. Follow-on negotiations will commence in four years.

Assessment of Schedules by Industry

The schedules of commitments under the GATS suggest that among the subject trading partners, the EU and Mexico are the most restrictive with respect to access for distribution services and that Japan is the least restrictive. However, industry representatives indicate that they perceive Mexico and Japan as the most restrictive subject trading partners because of the administration of commercial regulations in Mexico and unwritten business practices in Japan. Although the NAFTA is intended to reduce Mexican barriers for U.S. service providers, industry representatives report that significant obstacles to market access and equivalent national treatment remain. U.S. firms are concerned that Mexican regulations regarding import documentation, labeling requirements, and product standards are being applied in a manner that deliberately impedes market entry and efficiency. Furthermore, U.S. industry representatives in Mexico and Japan indicate that there remain substantial nonregulatory barriers created by administrative policy and industry practice.

With respect to education services, Canada, Austria, Finland, Sweden, and Japan appear to be the

most restrictive of the United States' major trading partners. With the exception of Japan, all these countries have declined to address education services in their schedules; as a result, these countries retain the right to maintain or impose trade-impeding measures. Yet, Japan and Canada are currently two of the largest U.S. export markets for education services, indicating that these countries have not imposed significant barriers to date. Further, U.S. service providers benefit from Canada's extensive commitments under the NAFTA. Mexico specifies relatively few restrictions under GATS and, like Canada, provides U.S. service providers with additional benefits under the NAFTA.

The trading partners covered in this study generally impose few restrictions on the provision of enhanced telecommunication services by foreign firms. Because enhanced telecommunication services are expected to serve as a conduit for the provision of other types of services in the future, the absence of significant trade barriers is highly beneficial. Among these trading partners, Japan and Canada appear to impose the fewest restrictions, while Mexico lists the most extensive limitations. However, U.S. firms likely will not be affected adversely by Mexico's commitments under the GATS because they are subject to fewer restrictions under the NAFTA.

U.S. providers of enhanced services attach great importance to the ongoing negotiations on basic telecommunication services, scheduled to conclude in April 1996. These negotiations address issues such as interconnection, competition safeguards, regulatory oversight, and regulatory transparency, all of which significantly influence U.S. firms' competitive positions in foreign markets. Improvements in market access or national treatment as a result of these negotiations likely would benefit U.S. providers of enhanced services.

Among the subject trading partners, Japan represents the least restrictive market for audiovisual services. With few exceptions, Japan allows U.S. firms to provide audiovisual services in Japan through both cross-border supply and commercial presence. Mexico was the only other subject country to schedule industry-specific commitments in this sector.

The EU and Canada retained the right to maintain or impose measures that might limit market access and national treatment for audiovisual services. In addition, they listed relatively broad exemptions to most-favored-nation (MFN) treatment. The stated intent of these measures is to promote regional identity, cultural values, and linguistic objectives. In some instances, the exact nature of the measures to be applied to foreign service providers is not specified. U.S. industry representatives have expressed

disappointment with the MFN exemptions, noting that they may confront the most onerous restrictions in their largest export market, the European Union.

In spite of the MFN exemptions, restrictions on the provision of audiovisual services likely will be eroded over time. The commitments pertaining to enhanced telecommunications, together with the Annex on the Negotiations on Basic Telecommunications, permit the provision of audiovisual services over telecommunication networks and ubiquitous information networks. This, in combination with technological advances, global networking, and the deregulation of information networks, may ease restrictions on U.S. service suppliers.

Although all subject trading partners place stringent restrictions on foreign health care providers, Japanese and Canadian limitations are perhaps most restrictive. Japan requires that hospitals and clinics be owned or managed by Japanese-licensed physicians and prohibits the establishment of investor-owned hospitals that are operated for profit. Canada did not address health care services in its schedule, thereby retaining the right to maintain or impose measures that might limit market access and national treatment, and NAFTA provisions do not provide for the preferential treatment of U.S. health care providers. Despite the restrictive measures found in the subject trading partners, U.S. industry representatives generally have expressed satisfaction regarding most foreign commitments. They believe that the commitments scheduled by the European Union, in particular, improve the transparency of technical rules and regulations.

All subject trading partners appear to maintain significant restrictions on foreign provision of legal services. Among the subject trading partners, Canada appears to be the least restrictive. Mexico did not schedule any GATS commitments pertaining to legal services. However, in practice, U.S. firms have been able to establish a presence in Mexico's market as a result of reciprocity arrangements made by certain U.S. States under NAFTA. Countries within the EU did not establish a common approach to scheduling legal services, making it difficult to discern which EU member states are most restrictive.

U.S. industry representatives have expressed dissatisfaction with Japanese commitments on legal services. Japan is the largest single-country export market, yet barriers pertaining to foreign provision of legal services remain high. Legal service providers must practice for 5 years in the same jurisdiction to register with the Japanese bar, and foreign firms are prohibited from employing or establishing a full partnership with *bungoshi*, the only lawyers allowed to provide legal services in Japan.

Assessment of Schedules by Trading Partner

Japan appears to impose the fewest formal restrictions on foreign service providers. Japan's commitments regarding the temporary entry and stay of intra-corporate transferees and specialists are the least restrictive of any subject trading partner. In addition, Japan was the only subject trading partner that did not submit a list of MFN exemptions. However, discussions with industry representatives suggest that the national schedules did not address all Japanese barriers to trade in the subject service industries.

Japan's cross-industry commitments do not address investment, real estate acquisition, and taxation. The lack of commitments for investment may affect U.S. firms' ability to establish a commercial presence in Japan and may contribute to the continuation of recent U.S. deficits recorded in affiliate transactions with Japan.

Although EU-wide commitments generally appear to be among the least restrictive, measures imposed by individual member states appear to be among the most restrictive. EU provisions for the temporary entry and stay of most natural persons are not transparent, and authority in this area remains with the 15 member states. Although EU member states' current regimes are relatively unrestrictive with respect to foreign entry and stay, relevant measures are not bound and could therefore, become more restrictive in the future.

The EU lists 28 MFN exemptions. Certain MFN exemptions are unusually broad in scope. Eight apply to all service industries, and some pertaining to audiovisual services identify neither the discriminatory measures to be applied nor the conditions creating the need to impose MFN exemptions.

Although Canada-wide commitments generally do not appear to be restrictive, measures imposed by individual Provinces may significantly impede foreign provision of services in Canada. Canadian provisions for the temporary entry and stay of natural persons are transparent and relatively unrestrictive. Canada's commitments under the NAFTA are less restrictive than those under the GATS, partially offsetting the adverse effect of certain GATS measures on U.S. service exporters.

Mexico's commitments are among the most restrictive of all those scheduled by the subject trading partners. However, as with Canada, Mexico's commitments under the NAFTA are less restrictive than those under the GATS, diminishing the adverse effect of certain restrictive measures on U.S. service exporters.

Summary of Findings

Overall, the GATS provides a substantial foundation for future efforts to liberalize international trade in services, providing unprecedented information on impediments to trade in signatory countries. Schedules submitted by the United States' major trading partners surpass those submitted by most other countries in terms of transparency, i.e., the degree to which they explain trade-impeding regulations clearly, precisely, and comprehensively. Nevertheless, U.S. service providers, particularly small- and medium-sized firms with limited experience in foreign markets, likely will benefit from the transparency provided through the scheduling process.

Schedules submitted by the United States' major trading partners do not always establish effective benchmarks, i.e., commitments that identify trade-impeding measures and, under the terms of the GATS, prevent these measures from becoming more restrictive in the future. Nevertheless, the United States' major trading partners have made substantive commitments with respect to many service industries and have agreed to observe a comprehensive list of trade-promoting disciplines. Consequently, there is greater certainty with respect to which services U.S. firms may provide to overseas clients, both now and in the future.

Copies of *The General Agreement on Trade in Services: Examination of Major trading Partners' Schedules of Commitments* (Investigation No. 332-358, USITC publication no. 2940) are available on the USITC's Internet server at <http://www.usitc.gov> or <ftp://ftp.usitc.gov> or by calling 202-205-1809.

The Maquiladora Industry Thrives Since the Peso's Devaluation

In an earlier article on the prospects for the maquiladora (*IER*, Oct. 1994), it was suggested that, contrary to the expectations of some observers, this major Mexican industry would continue to thrive under NAFTA. At the same time, it was pointed out that the character of the maquiladora industry would change. Following the publication of that article, the crash of the peso in December 1994 (*IER*, March and May 1995) presented a new challenge to prognosticators of the maquiladora's prospects.

Mexico established the maquiladora program in 1965 to attract U.S. investors to Mexico's border region. U.S.-owned (or other foreign-owned or multinational) assembly facilities in Mexico, referred to as maquiladoras or maquilas, generally participate in

production-sharing operations by processing materials or assembling components imported into Mexico from a parent/sister company. The product processed or assembled by the maquila is then reexported generally to the parent/sister company in the United States or a third country, which may or may not be the headquarters of the parent/sister company.

The Mexican Government allows duty-free entry of these foreign materials and components and the necessary machinery (including computers) and equipment, provided the finished product is exported rather than sold on the domestic market. The maquilas also enjoy tax and other privileges. There are nearly 3,000 maquilas currently registered in Mexico. Unlike at the beginning of the program when the maquiladora industry operated strictly in the U.S. border region, about 29 percent are now located in other parts of Mexico.

It now appears that the depreciation of the peso, far from hurting the maquiladora industry, has spurred a boom in this sector. Several sources report intensified maquiladora activity, especially in the Tijuana area. Foreign investment in assembly plants for the production of auto parts and electronic products is rising sharply. Maquilas account for an increasing share of total U.S. exports to Mexico, since other U.S. exports have declined following the depreciation of the peso. In the first nine months of 1995, components to the maquiladora industry constituted 29.1 percent of total U.S. exports to Mexico, compared with 23.5 percent in the corresponding period of 1994.²

What accounts for the maquiladora industry's post-depreciation boom? Because maquilas are for the most part still labor-intensive operations (there has been a shift in the last 3 years towards higher technology production in the sector), they gained an additional competitive edge when Mexican labor costs declined by about 30 percent in the first 6 months of 1995 in the wake of the peso's depreciation.³ Ms. Lucinda Vargas, an economist with the Federal Reserve Bank of Dallas, TX, believes that the peso's depreciation caused a large, across-the-board reduction in the maquilas' peso-denominated costs. She attributes this to the fact that the maquilas are owned predominantly by U.S. companies; hence, they have dollar-denominated budgets.⁴

² USITC, *Industry and Trade Technology Review*, Dec. 1995, p. 44. Data are based on the value of U.S.-made components contained in U.S. imports from Mexico under Harmonized Tariff Schedule (HTS) provisions 9802.00.60 (metal processing) and 9802.00.80 (assembly), which USITC staff believe is substantially equivalent to the value of U.S. exports of components to the maquiladora industry.

³ USITC, *Industry and Trade Technology Review*, Dec. 1995, p. 44.

⁴ Her responses were given to Kathryn Rosenblum, Managing Editor of U.S.-Mexico Free-Trade Reporter, in an interview published on June 15, 1995.

Its current boom notwithstanding, the maquiladora industry stands to gradually lose its uniqueness by the year 2,001, compared with the rest of Mexican manufacturing. Once non-maquila facilities begin to receive duty-free privileges under NAFTA, maquilas will lose the special duty-free status for their imports and will have the status of any other Mexican operation. In addition, under NAFTA, a graduated schedule allows 100 percent of maquiladora production to be sold in Mexico by the year 2,001. The blurring of the legal differences between maquilas and other forms of foreign investments in Mexico will eventually make the use of the "maquila" label largely meaningless. This will be true even if the label itself survives, and the term "maquiladora" will continue to be used when referring to assembly plants.

Their current distinctive duty-free status would not be the only advantage the maquilas would lose. They also must give up special tax privileges and submit to the same Mexican tax rules as any other company.⁵ Traditionally, maquilas with parent/sister companies in the United States paid no significant taxes to Mexican authorities. Considered by the U.S. parent mostly as a cost center, maquilas did not generally transfer their product to the U.S. side of the operation at market value. Consequently, a large portion of production-sharing profits were claimed on the U.S. side.

As of January 1, 1995, however, maquilas must follow Mexico's transfer pricing regulations, i.e., show a profit. Guidelines of the Mexican Ministry of Finance and Public Credit, issued on April 27, 1995, spell out the steps maquilas must take to comply with these rules. Maquilas had been expected to determine by May 31, 1995, whether they would show a net profit of at least 5 percent of the total value of all assets employed in their operation in fiscal 1995.⁶ Those maquilas which declared that they expected 5 percent or more profit will be considered by Mexican tax authorities to have complied with the country's transfer-pricing regulations.

Maquilas that failed to make such a declaration were offered other options for meeting their tax liabilities. These options are presently viewed as overly complex and confusing, and it is widely believed that extensive further clarification will be necessary. Neither is the current confusion of maquilas and their

⁵ In Mexico, partnerships or branches of foreign companies are considered separate entities and as such, subject to corporate taxation.

⁶ Asset taxes are payable in Mexico at the rate of 1.8 percent of the assets used in the company's business. These are alternative taxes, payable only when they exceed the entity's income tax liability, which is payable at the rate of 34 percent of the taxable income.

U.S. counterparts restricted to the new Mexican tax rules. It is equally unclear how the pertinent Mexican rules will stand up against the U.S. tax liability of the parent/affiliate companies, which wish to avoid double taxation or undue new tax burdens.

Trans-Atlantic Market Place "Under Construction"

On December 3, 1995, President Clinton met with leaders of the European Union (EU) to launch an initiative billed as a key to revitalizing the Trans-Atlantic partnership. Dubbed the Trans-Atlantic Agenda, it sets a framework for cooperation in the economic, political, and security realms and calls for a number of actions to further common EU-U.S. interests. The deal came shortly after a high level meeting in Seville, Spain of U.S. and European executives to focus on how the United States and the EU could further liberalize barriers to trade, remove other regulatory obstacles, promote competition and research, and cooperate in attaining objectives in third country markets.

President Clinton joined with Spanish Prime Minister Felipe Gonzalez, then holding the 6-month rotating EU Council Presidency, and EU Commission President Jacques Santer in signing the Agenda and Joint EU/U.S. Action Plan. In it, the leaders expressed determination to create a Trans-Atlantic marketplace that will expand trade and investment opportunities, multiply jobs, and contribute to global economic growth. Nearly 150 specific initiatives were outlined. Among the trade initiatives agreed upon were a joint study on facilitating and removing barriers to Trans-Atlantic trade and a commitment to pursue an Information Technology Agreement (ITA) aimed at eliminating tariffs in that sector by the year 2000.

What is at stake for U.S. business in the Trans-Atlantic Agenda? Which specific topics does it address and how? What issues that complicate the process? Each of these questions is discussed below.

The Stakes for U.S. Business

The United States has a large and long-standing economic relationship with Europe. Cemented by merchandise trade flows amounting to some \$250 billion annually and foreign direct investment valued at \$700 billion (historical cost basis), the two-way commerce is marked by a high degree of industry

trade and overall balance. Leading U.S. exports to the EU include aircraft, computers, integrated circuits, motor vehicles and parts, and medical and scientific instruments. U.S. imports from the EU include motor vehicles and parts, aircraft, machinery, and pharmaceuticals. Indeed, one could plausibly argue that the EU-U.S. commercial relationship is far more significant than the US relationship with Asia, the largest regional U.S. trading partner.

Although the World Trade Organization reports that the EU's share of world trade has fallen, the reach of the EU's trade regime has broadened, particularly in recent years. The high income northern European countries are now full-fledged members of the Union, and the economies of Central and Eastern Europe receive substantial EU financial and technical assistance. Moreover, the EU has an extensive and growing array of preferential trading arrangements. Yet countries within the EU have increasingly been trading with other EU members at the expense of their trade with third countries.⁵ It has been suggested that EU-level laws in such areas as product standards, government procurement, and financial market regulation may explain this phenomenon. Indeed, addressing disparities in treatment that have resulted from Europe's Single Market (1992) Initiative tops the list of U.S. business interests in a Trans-Atlantic Agenda. U.S. firms have also been eager to redress the worsening of their access to Northern European markets that has resulted from the entry of Austria, Finland, and Sweden into the EU. Unfettered access to the whole of the North American market and to the whole of Europe would provide U.S. firms unprecedented economies of scale.

Attaining that goal requires dealing with several types of barriers. Tariffs, though not generally high in the United States or the EU, remain high for certain sectors. The EU maintains high tariffs on agriculture (meat, dairy, sugar, and tobacco), textiles and apparel, motor vehicles, electronics, and paper products. In addition, tariff escalation—rising rates with each stage of processing—is particularly pronounced in the fish, tobacco, leather, rubber, textile, and metal industries. Nontariff barriers run the gamut from subsidies to product standards and officially sanctioned procurement discrimination in such sectors as telecommunications. "Cultural" barriers to U.S. movies and broadcasts and discriminatory restrictions on imported bananas are also sources of U.S. concern. On the U.S. side, Europe continues to complain about what remains of Buy America policies affecting European

⁵ U.S. Department of Commerce, *Survey of Current Business*, August 1995.

⁵ World Trade Organization, *Trade Policy Review of the European Union*, Geneva: WTO, Document No. WT/TPR/E/3, June 30, 1995, p. 9. Interestingly, however, a larger relative decline occurred in the first half of the 1980s than occurred in the 1986-93 period.

supplies in public projects in airport and subway construction, (the EU is exempt from many as a result of an earlier procurement accord), various restrictions on the use of non-U.S. vessels in cargo-handling, the extrajurisdictional reach of U.S. laws, and difficulties in penetrating U.S. markets for regulated goods like pharmaceuticals.

Scope of the Agenda

The Trans-Atlantic Agenda is intended to bolster the U.S.-EU cooperation vital to economic prosperity and a strong multilateral trading system. Given impetus by various overtures made last Spring and a presidential summit in June, 1995, U.S. and EU trade officials began meeting regularly to identify possible areas for joint action. Some of the ideas floated during this period were expansive—a Trans-Atlantic Free Trade Area (TAFTA) or somewhat less comprehensive “economic spics” agreement, for example—while others were procedural, aiming to head off friction and set priorities for the future (*International Economic Review*, August 1995). A TAFTA was soon dismissed as premature, however.

In the Trans-Atlantic Agenda ultimately agreed upon in December, the two sides take a practical, action-oriented approach to strengthening economic ties. Yet, these actions are placed in a broader, more visionary context—that of a Trans-Atlantic Marketplace characterized by the progressive reduction or elimination of barriers that hinder the flow of goods, services and capital between the United States and the EU. Moreover, both signatories pledge to “lead the way in opening markets for trade and investment” and recognize a “special responsibility to strengthen the multilateral trading system.”

More than 40 specific actions dealing with the goal of contributing to the expansion of trade are listed in the portion of the EU/US Joint Agenda. Among the specific measures are—

- (1) tariff liberalization and other competitiveness-enhancing measures in such areas as information technology. The two sides agreed to seek an agreement eliminating tariffs on information technology equipment by the year 2000 and to consider tariff liberalization in other sectors for which the U.S. President presently has tariff authority, such as electronics and chemicals. They will also seek to expand their commitments to coverage under the Government Procurement Agreement. Other steps agreed upon will facilitate customs clearance and encourage cooperative research and development;

- (2) standards and regulatory cooperation: In an effort to reduce costs associated with different product standards and regulatory requirements, the two sides pledge to conclude mutual recognition agreements on conformity assessment as well as to work towards similar technical regulations on such topics as interconnection and interoperability of telecommunications equipment, vehicle safety, aircraft noise emissions, pesticide residues, and veterinary standards and procedures;
- (3) multilateral cooperation in such areas as financial services, government procurement, investment, intellectual property, and accession to the WTO by China and Russia;
- (4) joint study of ways to facilitate trade in goods and services and further reduce or eliminate barriers;
- (5) business involvement in shaping priorities via support for a continuation of the Trans-Atlantic Business Dialogue (TABD) initiated in April 1995. The November 10-11, 1995, conference among top U.S. and EU business leaders resulted in a number of recommendations that will be followed up upon this year. Another TABD conference is slated for 1996.

Not specifically included in the agenda are any actions dealing with such sensitive topics as agriculture, steel, aviation, shipping and “cultural” industries. These were among the major sticking points in the Uruguay Round, and many believe little would be gained by reopening them now.

Meetings among the senior and working level officials charged with realizing these broad trade ambitions have already begun. During early February, talks were held in Geneva on the potential scope of the envisioned Information Technology Agreement. Later in the month, EU officials came to Washington to discuss the terms of reference for the joint study on trade facilitation and liberalization. Talks on government procurement and intellectual property also occurred.

Complicating Factors

Despite the Trans-Atlantic Agenda's promise, implementing several of the measures may well prove difficult. Product standards and government procurement are both prominently featured on the December 3 Agenda. They were also high on the list of non-tariff barriers identified as needing attention at the Seville meeting of the Trans-Atlantic Business Dialogue and in a recent survey by the U.S. Chamber

of Commerce. Several procurement agreements have been reached in recent years, but have fallen short of fully satisfying each side's objectives. In the standards area, active negotiations on the mutual recognition of conformity assessment have been underway for more than 4 years. The EU has been pushing for comprehensive agreements in terms of product coverage and regulatory scope. The United States, with a complex regulatory environment often involving Federal, State, and private actors, has been taking a more gradual, confidence-building approach.

Cooperating on third country issues also may be easier said than done. The accession of China to the WTO and efforts to improve market access to such Asian markets as Korea could lend themselves to cooperation. However, the U.S. and EU must first succeed in agreeing on common goals despite their commercial rivalry in these booming markets.

Even when the two sides agree on substance, they often disagree on tactics. The U.S. and the EU both support an improvement in internationally agreed upon rules on investment. However, the United States has expressed a strong preference for first reaching agreement in the Organization for Economic Cooperation and Development (OECD) to set very high standards of treatment and then multilateralizing those rules through the WTO. The EU, noting that developing countries are both fast growing sites for new investment and the worst offenders in terms of distortive investment policies, is eager for the WTO to be involved in improving investment rules.

The Business Perspective

For the U.S. business community, the question remains as to how best to utilize Trans-Atlantic trade negotiations given their own and their government's limited resources. Markets in Asia and Latin America are largely fueling the current U.S. export boom, and they are projected to grow faster than markets in Europe well into the next decade. U.S. investment in Europe is growing slowly compared with that in Asia and Latin America, and U.S. firms already invested in Europe have the rights and privileges of any other EU firm.

Yet, the European market is the world's largest and richest. Its well-heeled consumers are good prospects for higher-end U.S. goods. EU firms in the business and public sector, facing heightened competition in an increasingly deregulated home market, are considering anew the benefits of foreign sourcing and partnering. Because the EU and the United States are at similar stages of development and share a commitment to such goals as a clean environment, safe workplaces, and procedural transparency, they may be better placed to

reach mutual agreement on the nettlesome non-tariff barriers that presently act as a drag on two-way commerce. Despite strong industrial capabilities and records of innovation, their business communities face fierce competition and ever faster rates of innovation. Marrying Trans-Atlantic resources may, some argue, be the best way to assure continued prosperity for both. A recent analysis by the Economic Strategy Institute, for example, projects that a full-fledged TAFTA would not only increase both partners prosperity, growth, and exports, but the rest of the world's as well. For now, TAFTA remains a distant prospect. Over the coming year at least, hard work on the many concrete items on which the two government's agreed in December will occupy officials and business alike.

ITC Releases Report on U.S.-Sub-Saharan Africa Trade

On February 7, 1996, the USITC released its first of five annual reports entitled, "U.S.-Africa Trade Flows and Effects of the Uruguay Round agreements and U.S. Trade and Development Policy." The USITC's report will assist the President in developing a comprehensive trade and development policy for the countries of Africa as required by the Uruguay Round Agreements (URA) implementing legislation.⁹

As requested by USTR, the USITC's report covers the 48 countries in Sub-Saharan Africa. The first report provides a profile of each of the 48 countries covered, an assessment of the structure of U.S.-Sub-Saharan trade flows during 1990-94 in major sectors, a summary of U.S. trade and development programs in Sub-Saharan Africa, a summary of the literature and private sector views relevant to assessing the impact of the URA on developing countries and Africa in particular, and an assessment of any effects on U.S.-Sub-Saharan Africa trade flows of the URA. Some of the highlights of the report follow.

U.S. merchandise exports to Sub-Saharan Africa amounted to \$4.3 billion in 1994, with U.S. imports amounting to \$12.1 billion. The U.S. merchandise trade deficit with Sub-Saharan Africa was \$7.7 billion in 1994, with imports of energy related products (mainly crude oil) largely responsible for the merchandise trade deficit with the region. The 48 countries covered in the report together accounted for less than 1 percent of U.S. commodity exports and approximately 2 percent of U.S. commodity exports in 1994.

⁹ The USITC was requested to conduct the investigation by the U.S. Trade Representative under the Africa Policy Section of the Statement of Administrative Action that Congress approved with the Uruguay Round Agreements Act last year.

The major U.S. export markets in Sub-Saharan Africa are South Africa and Nigeria which together accounted for 60 percent of U.S. exports to the region in 1994. Major merchandise import suppliers include Nigeria, Angola, South Africa, and Gabon, which together accounted for 82 percent of U.S. imports from Sub-Saharan Africa in 1994. U.S. imports from Sub-Saharan Africa under the Generalized System of Preferences accounted for 2.7 percent of imports by value from the region in 1994.

U.S. direct investment in Sub-Saharan Africa amounted to \$3.5 billion at the end of 1993. Of this total, \$925 million was in South Africa and \$527 million in Nigeria. U.S. direct investment is concentrated in the petroleum sector, although the position in South Africa is mostly in manufacturing. The United States recorded a trade surplus of \$699 million in services trade with all African countries in 1993, the latest year for which data are available.

The United States provides assistance to Sub-Saharan Africa through bilateral and multilateral programs. U.S. bilateral economic assistance programs, which include development assistance, food assistance, disaster assistance, economic support funds, international narcotics control, Peace Corps, and African Development Foundation programs, amounted to \$1.7 billion in fiscal year 1994. Military assistance amounted to \$4.5 million in that year.

Support for U.S. exports to Sub-Saharan Africa amounted to 6.2 percent of the Eximbank's worldwide exposure at the end of 1994. Lack of Eximbank financing for countries in Sub-Saharan Africa is cited by private sector interests as a significant impediment to increasing exports to the region. Investment assistance through the Overseas Private Investment Corporation (OPIC) for projects in Sub-Saharan Africa amounted to \$236.5 million, or 5.5 percent of total OPIC assistance in that year. Oil industry projects in

the Congo and Nigeria received the largest support during fiscal years 1990-94.

The URA will likely have a negligible impact (change of 1 percent or less) on overall U.S.-Sub-Saharan Africa trade flows in the following sectors: agriculture, forest products, chemicals and related products, energy related products, textiles and apparel, footwear, minerals and metals, machinery, transportation equipment, electronic products, and services. U.S. trade in one sector, miscellaneous manufactures, is likely to experience a small (from over 1 percent to 5 percent) increase after URA provisions are fully implemented.

Achievements under many regional integration arrangements in Sub-Saharan Africa have been limited to date. Reasons for this limited progress include a lack of complementary economies and differences in market orientation, market size, government involvement, and stages of economic development.

Structural adjustment programs through which countries implement domestic economic reforms were initiated by a number of Sub-Saharan African countries in the mid-1980s with the support of the International Monetary Fund, the World Bank, and donor countries. According to a recent African Development Bank report, progress in implementing domestic policy reforms has been mixed in Sub-Saharan Africa.

Printed copies of the foregoing report, *U.S.-Africa Trade Flows and Effects of the Uruguay Round Agreements and U.S. Trade and Development Policy*, (Investigation No. 332-362, publication 29/3, November 1995) may be ordered by calling 202-205-1809 or by writing to the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW, Washington, DC 20436. Requests may also be made by fax at 202-205-2104. The report is also available on the ITC's Internet server (<http://www.usitc.gov> or <ftp://ftp.usitc.gov>).

STATISTICAL TABLES

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Index of industrial production, by selected countries and by specified periods, Jan. 1983-December 1985
(Total industrial production, 1981=100)

Country	1983	1984	1985	1985				Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
				I	II	III	IV							
United States ¹	112.0	118.1	122.3	122.8	121.4	122.5	122.8	121.4	121.5	122.9	123.0	122.5	122.7	122.8
Japan	92.0	93.1	(²)	95.8	94.9	95.5	(²)	96.1	96.0	96.2	96.4	(²)	(²)	(²)
Canada	101.4	105.7	(²)	103.9	107.7	(²)	(²)	109.3	103.3	111.2	(²)	(²)	(²)	(²)
Germany	90.5	92.9	(²)	93.8	98.0	91.1	(²)	98.9	91.5	94.8	97.1	(²)	(²)	(²)
United Kingdom	95.0	103.1	(²)	108.8	101.4	99.3	(²)	103.9	98.5	97.3	104.2	(²)	(²)	(²)
France	95.9	99.2	(²)	107.3	(²)	(²)	(²)	106.9	100.2	78.2	(²)	(²)	(²)	(²)
Italy	95.7	102.2	(²)	109.9	115.5	(²)	(²)	114.1	113.5	95.7	(²)	(²)	(²)	(²)

¹ 1987=100.

² Not available.

³ Real domestic product in industry at factor cost and 1985 prices.

Source: *Main Economic Indicators*; Organization for Economic Cooperation and Development, November 1985, *Federal Reserve Statistical Release*, January 24, 1986.

Consumer prices, by selected countries and by specified periods, Jan. 1983-December 1985
(Percentage change from same period of previous year)

Country	1983	1984	1985	1985				Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
				I	II	III	IV							
United States	3.0	2.6	2.8	2.8	3.1	2.6	2.7	3.0	2.8	2.6	2.5	2.8	2.8	2.5
Japan	1.9	0.7	(¹)	0.1	0.0	0.0	(¹)	0.3	0.	-0.2	0.2	-0.6	-0.7	(¹)
Canada	1.8	0.2	1.7	1.9	2.7	2.3	2.1	2.7	2.5	2.3	2.3	2.4	2.1	1.7
Germany	4.2	3.0	2.0	2.3	2.3	2.0	1.5	2.4	2.4	2.0	1.8	1.8	1.4	1.5
United Kingdom	1.6	2.5	3.4	3.4	3.4	3.7	3.2	3.6	3.5	3.6	3.9	3.2	3.1	3.2
France	2.0	1.7	1.8	1.7	1.6	1.8	1.9	1.8	1.5	1.9	2.0	1.8	1.9	2.1
Italy	4.4	1.0	(¹)	4.3	5.2	5.5	(¹)	5.7	5.4	5.6	5.6	5.6	(¹)	(¹)

¹ Not available.

Source: *Consumer Price Indices, Nine Countries*, U.S. Department of Labor, February 1986.

Unemployment rates, (civilian labor force basis)¹ by selected countries and by specified periods, Jan. 1983-December 1985

Country	1983	1984	1985	1985				Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
				I	II	III	IV							
United States	6.9	6.1	5.9	5.5	5.7	5.6	5.9	5.9	5.7	5.9	5.9	5.5	5.9	5.9
Japan	2.5	2.9	(²)	3.0	3.2	3.2	(²)	3.2	3.2	3.2	3.2	3.3	3.4	(²)
Canada	11.2	10.4	9.5	9.7	9.5	9.5	9.4	9.6	9.9	9.6	9.2	9.4	9.4	9.2
Germany	5.8	6.6	(²)	6.5	6.5	6.6	(²)	6.6	6.6	6.6	6.6	6.6	6.7	(²)
United Kingdom	10.4	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
France	11.3	12.3	(²)	12.5	12.3	12.1	(²)	12.2	12.2	12.1	(²)	(²)	(²)	(²)
Italy	10.3	11.4	12.1	12.2	12.2	12.0	12.0	(²)	12.0	(²)	(²)	12.0	(²)	(²)

¹ Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.

² Not available.

³ Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, February 1986.

Money-market interest rates,¹ by selected countries and by specified periods, Jan. 1988-January 1989
(Percentages, annual rates)

Country	1988	1989	1990	1988				Jan.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	1989
				I	II	III	IV								Jan.
United States	9.2	4.9	5.6	6.2	6.0	5.7	5.6	5.9	5.7	5.7	5.7	5.7	5.6	5.5	5.2
Japan	2.9	2.2	1.2	2.2	0.7	0.6	0.5	1.1	0.9	0.8	0.5	0.5	0.5	0.5	0.0
Canada	5.1	5.5	7.1	5.1	6.6	6.6	6.1	7.0	6.6	6.6	6.6	6.6	6.0	5.9	0.0
Germany	7.1	5.2	4.4	4.9	4.2	4.1	3.9	4.4	4.4	4.3	4.1	4.0	3.9	3.8	0.0
United Kingdom	5.9	5.4	6.9	6.6	6.7	6.6	6.5	6.6	6.7	6.7	6.7	6.6	6.6	6.4	0.0
France	6.3	6.7	6.4	5.7	5.9	6.0	5.9	7.0	6.3	6.6	6.7	6.7	6.7	6.4	0.0
Italy	10.0	6.4	10.4	6.7	10.5	10.4	10.8	10.9	10.9	10.4	10.9	10.7	10.6	10.5	0.0

¹ 90-day certificate of deposit.

² Not available.

Source: Federal Reserve Statistical Release, February 12, 1989. Federal Reserve Bulletin, February 1989.

Effective exchange rates of the U.S. dollar, by specified periods, Jan. 1988-January 1989
(Percentage change from previous period)

Item	1988	1989	1990	1988				Sept.	Oct.	Nov.	Dec.	1989
				I	II	III	IV					Jan.
Unadjusted Index	100.1	98.5	92.9	95.0	95.7	95.4	94.3	94.7	93.7	94.1	94.9	95.3
Percentage change	3.1	-1.6	-5.6	.1	-7.0	3.7	.9	2.6	-1.0	.4	.8	1.4
Adjusted Index ¹	104.2	101.5	93.9	95.1	90.8	92.5	95.2	95.5	94.4	95.1	95.9	97.2
Percentage change	3.3	-2.7	-7.4	-2.9	-5.1	1.7	2.9	1.4	-1.1	.7	.8	1.3

¹ 1989 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 16 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, February 1989.

Merchandise trade balance, by selected countries and by specified periods, Jan. 1982-November 1985
(in billions of U.S. dollars, Exports less Imports (i.e. - o.i.f.), at an annual rate)

Country	1982	1983	1984	1985							
				I	II	III	Jul.	Aug.	Sept.	Oct.	Nov.
United States ¹	-24.5	-115.7	-151.3	-157.5	-174.3	-192.4	-193.4	-193.6	-184.1	-190.2	-138.3
Japan	153.4	153.3	-121.2	112.4	133.6	100.0	105.0	101.4	100.0	100.0	100.0
Canada	12.1	13.3	13.0	25.3	12.7	10.0	23.2	22.7	10.0	10.0	10.0
Germany	21.9	23.3	45.6	53.9	57.9	10.0	57.3	10.0	10.0	10.0	10.0
United Kingdom	-23.3	-23.5	-22.5	-14.7	-22.2	10.0	-25.3	10.0	10.0	10.0	10.0
France	3.3	13.3	13.3	22.3	24.1	10.0	11.1	21.3	10.0	10.0	10.0
Italy	-3.3	23.3	23.0	24.3	23.2	10.0	12.3	10.0	10.0	10.0	10.0

¹ Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than o.i.f. value.

² Not available.

³ Imports are i.e. - o.i.f.

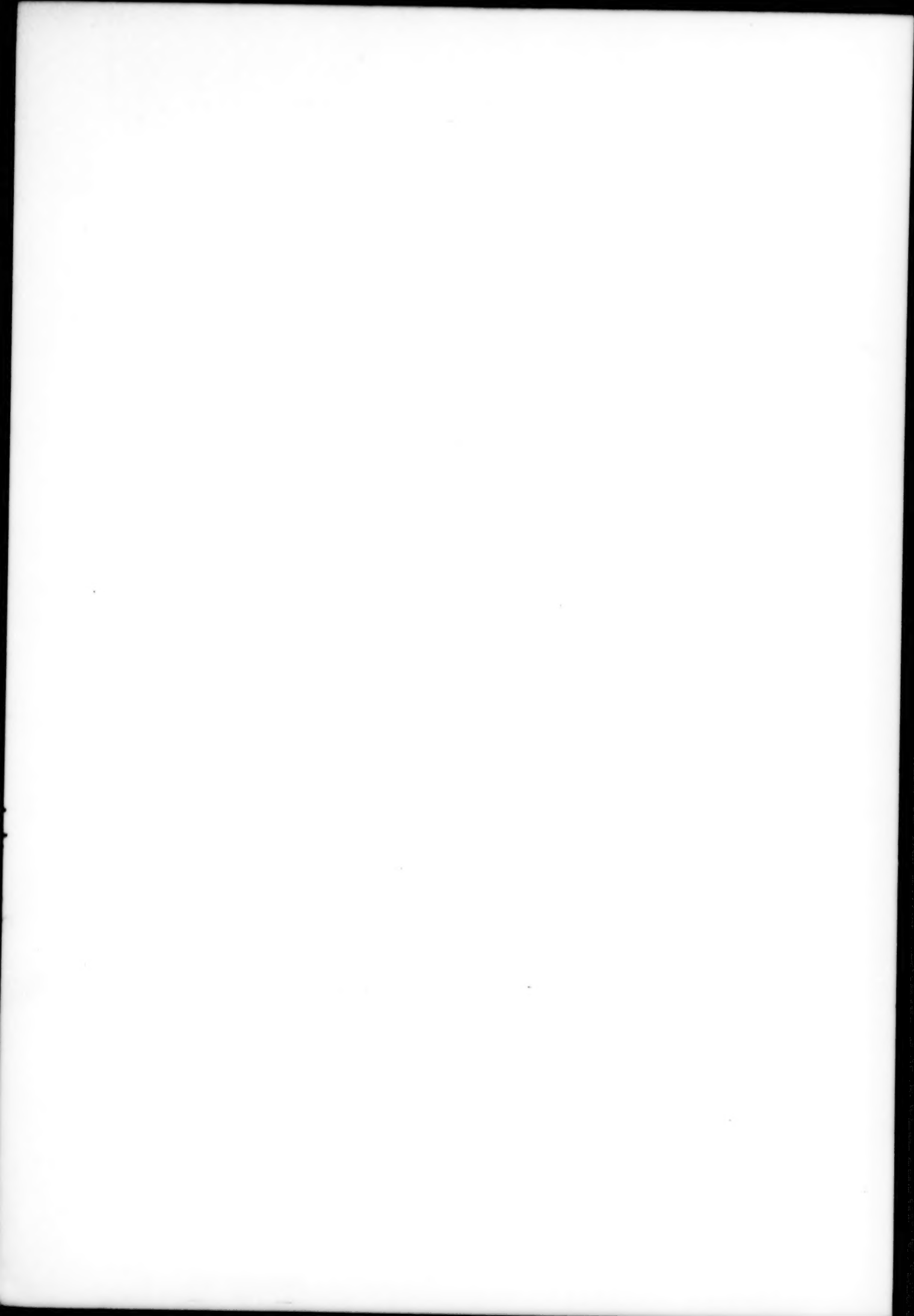
Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, February 7, 1985; Main Economic Indicators; Organization for Economic Cooperation and Development, November 1985.

U.S. trade balance,¹ by major commodity categories and by specified periods, Jan. 1982-November 1985
(in billions of dollars)

Country	1982	1983	1984	1985							
				I	II	III	Jul.	Aug.	Sept.	Oct.	Nov.
Commodity categories:											
Agriculture	13.3	17.3	19.0	3.2	4.3	3.0	1.3	2.1	2.3	2.5	2.3
Petroleum and co- located product— (unadjusted)	-43.3	-45.7	-47.5	-11.3	-12.3	-12.3	-4.3	-4.1	-4.2	-3.3	-3.3
Manufactured goods	-33.7	-115.3	-155.7	-40.3	-43.3	-50.3	-17.3	-17.1	-15.3	-18.4	-15.4
Selected countries:											
Western Europe	3.2	-1.4	-12.5	-1.1	-2.3	-3.3	-3.1	-7	-1.1	-1.1	-3
Canada	-7.3	-10.2	-14.5	-2.4	-4.3	-4.3	-1.4	-1.4	-1.3	-1.3	-1.7
Japan	-33.4	-33.3	-35.3	-15.3	-13.4	-14.5	-5.1	-5.1	-4.3	-4.7	-4.1
OECD (unadjusted)	-11.2	-11.3	-13.3	-1.3	-3.7	-4.4	-1.5	-1.5	-1.4	-1.2	-1.2
Unit value of U.S. im- ports of petroleum and selected products (unadjusted)	\$15.33	\$15.13	\$14.22	\$15.43	\$15.37	\$15.43	\$15.33	\$15.31	\$15.47	\$15.34	\$15.13

¹ Exports, i.e. o.i.f. value, unadjusted. Imports, customs value, unadjusted.

Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, February 7, 1985.



END

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